

Message Text

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PAGE 01 GENEVA 01280 231726Z

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-11 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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R 231630Z FEB 76

FM USMISSION GENEVA

TO SECSTATE WASHDC 8280

INFO AMEMBASSY MANILA

AMEMBASSY OTTAWA

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

USMISSION EC BFUSSELS

USMISSION OECD PARIS

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PASS STR FOR MIKE SMITH

E.O. 11652: N/A

TAGS: GATT, ETRD

SUBJECT: TEXTILES: AUSTRALIA LIFTS SELECTIVE CONTROLS, IMPOSES GLOBAL
QUOTAS ON KNITTED TOPS

REF: CANBERRA 1188, SMITH-PHELAN TELECON FEB 20, GENEVA 1235

1. IN RE PARAS 5 AND 7 CANBERRA 1188, U.S. TSB REP IS OF VIEW
THAT IS BARELY POSSIBLE THAT CRITICISM THIS PARTICULAR
AUSTRALIAN ACTION MAY NOT ARISE FOR SOME TIME, EITHER IN TSB
OR GATT COUNCIL. REASONING IS BASED ON STRONG PRESUMPTION
THAT SOME SORT PRIOR "UNDERSTANDING" WAS REACHED BETWEEN GOA
AND PHILIPPINES AND, POSSIBLY, WITH SINGAPORE. ACTION WAS
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PAGE 02 GENEVA 01280 231726Z

NOT TAKEN VIS-A-VIS IMPORTS OF KNITTED TOPS FROM HONG KONG
AND MACAU WHICH ARE, UNTIL JUNE 30, COVERED BY BILATERAL

AGREEMENTS WITH TOPS QUOTAS IN THESE BILATERALS TO BE EXEMPT UNTIL JUNE 30 AND, POSSIBLY, THOUGH NOT LIKELY, BEYOND THAT DATE BY BILATERAL AGREEMENT. THUS, IF ANY COMPLAINT UNDER MFA ART 9 IS PUT TO TSB, IT WOULD LIKELY COME FROM KOREA OR SOME OTHER SUPPLIER. THUS FAR, THERE NO INDICATION IN GENEVA THAT KOREANS HAVE ANY PRESENT INTENT COMPLAIN. NO INFORMATION AVAILABLE HERE ON INTENTIONS OF OTHER SUPPLYING COUNTRIES.

2. LOCAL EC AND JAPAN REPS ARE ALSO PRESENTLY WITHOUT INSTRUCTIONS TO ACT IN EITHER TSB OR GATT COUNCIL. IN VIEW HISTORY PREVIOUS AUSTRALIAN TEXTILE TQ ACTION (WHERE U.S., EC AND JAPAN REQUESTED CONSULTATIONS WITH AUSTRALIA UNDER PROVISIONS PARA 2 MFA ART 9 AND WHERE, FOLLOWING AUSTRALIA'S REFUSAL CONSULT UNDER ART 9, NONE OF THESE WERE PREPARED PURSUE REFERRAL TO TSB UNDER PARA 3 ART 9), U.S. COULD FOLLOW SAME COURSE WITH LIKE-LIHOOD THAT EC AND JAPAN WOULD REMAIN UNWILLING "GET OUT IN FRONT" IN ABSENCE U.S. PARTICIPATION IN REFERRAL TO TSB, SINCE AUSTRALIA'S TARIFFS ON KNITTED TOPS ARE NOT BOUND WITH EC MEMBER STATES, EC IS NOT LIKELY PURSUE MATTER IN GATT AS THEY DID EARLIER ON CERTAIN ITEMS WHICH WERE BOUND.

3. IN EVENT MATTER IS BROUGHT BEFORE TSB, U.S. REP CANNOT SEE HOW U.S. SUPPORT OF GOA TQ ACTION COULD HAVE ANY RESULT OTHER THAN CONTRIBUTING TO DEVELOPING COUNTRY DISILLUSIONMENT WITH MFA. THE FACTS OF THE CASE ARE OBVIOUS: A) AUSTRALIAN REPS IN BOTH GENEVA AND CANBERRA HAVE, ON MANY OCCASIONS, OPENLY STATED THAT MFA DID NOT PROVIDE DEGREE OF PROTECTION NEEDED BY AUSTRALIA; B) TQ ACTIONS SUBSEQUENTLY TAKEN BY GOA ARE FULLY CONSISTENT WITH THIS POSITION; C) U.S. REP IS CONVINCED THAT TSB CERTAIN FIND GOA TQS AS FALLING WITHIN THE PURVIEW OF ART 9 AND THUS "ILLEGAL" UNDER MFA; AND, FINALLY, D) IF SUCH A FINDING WERE APPEALED TO TC, THAT, ALL DEVELOPING EXPORTING PARTICIPANTS AND A MAJORITY OF IMPORTING COUNTRY PARTICIPANTS WOULD BE OF SAME VIEW. MANY ON BOTH SIDES WOULD ALSO BE OF VIEW THAT ALLOWING AUSTRALIA LIMITED OFFICIAL USE

PAGE 03 GENEVA 01280 231726Z

TRALIA "GET AWAY WITH IT" WOULD LEND AID AND COMFORT TO PROTECTIONISTS IN EC, IN CANADA (WHICH HAS BEEN UNDER CONTINUING TSB PRESSURE TO AVOID FURTHER RECOURSE TO GATT ART XIX GLOBAL QUOTAS ON CERTAIN TEXTILE ITEMS), AND IN NORDIC COUNTRIES WHICH ARE ALSO FINDING FMA PROVISIONS DIFFICULT LIVE WITH IN RECESSION.

4. U.S. REP WISHES ALSO NOTE THAT GATT DIR GEN LONG HAS BEEN CONCERNED FOR SOME TIME WITH EFFECT PREVIOUS GOA TQ ACTIONS ON VIABILITY (AND FUTURE) OF

MFA AND, PRIVATELY, HAS OFTEN EXPRESSED HIS OPINION THAT MFA, UNDER CIRCUMSTANCE, WOULD BE BETTER OFF WITH AUSTRALIA OUT. GOA, AWARE OF LONG'S ATTITUDE AND, AT SAME TIME, FULLY AWARE OF U.S. AND CANADIAN CONCERN THAT GOA MIGHT WITHDRAW FROM MFA, IS OBVIOUSLY TRYING PARLAY THAT CONCERN INTO U.S. AND CANADIAN SUPPORT FOR TQ ACTION. UNDERSTAND FROM CANADIAN COLLEAGUE HERE THAT GOA HAS ALSO ASKED OTTAWA'S SUPPORT IN PARALLEL WITH APPROACH MADE TO U.S. (PARA 5 CANBERRA 1188). FURTHER UNDERSTAND THAT GOA POINTING OUT TO CANADIANS THEIR PARALLEL INTEREST IN SOLUTION PROBLEM PROVIDING NECESSARY PROTECTION FOR "SMALL MARKETS" WITHIN RULES MFA IN TIMES RECESSION (THIS ALSO IS MAJOR CONCERN OF NORDICS) AND "SIMILARITY" CANADIAN RECOURSE TO GLOBAL QUOTAS UNDER GATT ART XIX AND GOA'S TQ ACTIONS.

5. IN LIGHT FOREGOING, U.S. REP SUGGESTS THAT GOA BE INFORMED THAT U.S., A) WILL NOT PURSUE ART 9 IN TSB; B) WILL NOT PARTICIPATE IN ANY COMPLAINT IN GATT SHOULD SUCH BE RAISED BY OTHER COPS; AND, C) THAT, IF ISSUE IS RAISED IN TSB, U.S. WILL NOT ACTIVELY SEEK NEGATIVE FINDING ON TQ'S BUT WILL JOIN CONSENSUS IF SUCH CONSENSUS EMERGES. IN OPINION U.S. REP, THERE IS NO ALTERNATIVE TO LATTER COURSE IF CREDIBILITY OF TSB IS TO BE MENTIONED AND, RELATED THERTO, THE INFLUENCE OF THE U.S. IN THAT BODY. THIS WOULD BECOME AN EVEN MORE CRITICAL PROBLEM IN THE EVENT THAT GOA, AFTER TEXTILES AUTHORITY EXAMINATION, ELECTS TO PLACE ALL ITS TEXTILE IMPORT RESTRICTIONS ON A TQ BASIS. THERE WOULD THEN BE NO PRETEXT FOR GOA PARTICIPATION IN MFA. BRUNGART

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